

# Research Report

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Group of Twenty

Reforming the International Monetary System



# MUNISH



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<b>Forum</b>	Group of Twenty
<b>Issue:</b>	Reforming the International Monetary System
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## Introduction

Commerce is a prevailing sector of every economic system and every type of economic system and the rules behind commerce are largely underlined by the International Monetary System. Monetary systems have long been in place with a monetary system first making its appearance in the BC eras through the use of gold bullions as a form of currency. In a few words trading has existed through the dawn of civilization and when the realization was made that the barter system has many deficiencies then the monetary system was introduced, which constantly and rapidly evolved in stages.

The roots of the modern International Monetary System can be traced back to the First Globalization Era which refers to the period of the 1870s until the First World War. It is thus important to notice how the IMS relates to the process of globalization. Since then the features of the national currencies underwent major restructuring, although most notably exchange rates were freed from their fixed status, which called for reconsiderations the IMS worked.

At the current stage the IMS has been dubbed by economists as the Revived Bretton Woods system which is largely based on the dollar and the euro. The current system, however, is an uncontrolled and non documented self development of the system which has developed to accommodate the new nature of trading and the further globalization of the economy, as well as the common usage of the dollar by the majority of traders and a great number of states that have decided to link their currency to the dollar.

The original Bretton Woods conference was held in 1944 and signaled the initiation of the first post-war planned International Monetary System.



## Definition of Key Terms

### International Monetary System

Usually summarized as the reallocation of capital between nations. The International Monetary System are the rules, conventions, treaties and supporting institutions that facilitate international trade.

### General Overview

The globalization and the ever increasing internationalization of the markets, along with the flaws of the monetary system which were made visible as a result of the recent and ongoing Credit Crunch have the need of a restructuring of the International Monetary System as part of this “natural process” of the constant upgrade of this very system.

As a matter of fact the International Monetary System did have and still does have a tendency to move towards the relaxation of trading barriers and towards “Free Trade”. Even though a large number of trading barriers, either natural or manmade still exist and serve regional or national interests, sometimes at the expense of third countries. This fact is being acknowledged by a number of economists and free of excise duty model such as that of the Eurozone and of its commercial partners is likely to be a major component of a restructured IMS, also considering the talks between the EU and the USA for a similar agreement.

It is not just economists who argue that the leading instruments, organizations and nations have failed to identify the changes, but important politicians as well, such as the former British Prime Minister and former Chancellor of the Exchequer Gordon Brown, who have been calling for a new Bretton Woods conference in order for the International Monetary System to be planned and redesigned.

As the international community recovers from a financial crisis many have put forward the argument that now is the correct time to proceed with a reconstruction which shall guarantee a more stable monetary system and lead to the avoidance of further turbulences in today’s interconnected economies.

Reconstructing the International Monetary System will be a landmark event that will reshape the commercial interaction between member states and private entities in member states. Therefore it must be complete and take into consideration several key areas, such as the trading restrictions, the usage of currencies and further details that will facilitate trade and

support it or shape it towards the intended direction. Furthermore globalization may be a reality but economic systems with particularities still do exist which must be taken into consideration.

## Major Parties Involved and Their Views

### International Monetary Fund (IMF)

The IMF was created out of the 1944 Bretton Woods conference where the Bretton Woods International Monetary System was created. Several economists have claimed that the IMF has not acknowledged the development of the IMS and is instead focusing on bringing balance to the world economy.

### World Bank

The World Bank was also a product of the 1944 Bretton Woods conference and has been a major financial instrument since then.

### The Eurozone

Despite the rapid increase of the usage of the dollar it has faced fierce competition from the newly established Euro. The Euro is the currency with the largest printed value and therefore is considered as a key element of the current system. Nevertheless it has faced fierce criticism on the nature of its existence with the Monetary Union of the European Union, the Eurozone facing criticism aimed as deep as its foundations. The European Union along with the Eurozone have successfully developed a tax free zone which concept can be one of the elements of the new IMS.

### The United States of America (USA)

The United States have been developing a strong and flexible currency which is currently the main tender in trading transactions and also used to indicate the value of commodities in the stock and commodities exchange.

## Evaluation of Previous Attempts to Resolve the Issue

The biggest effort currently comes from the Reform the International Monetary System group which consists of former finance ministers and relevant executives as well as economists and Central Bank governors and figures.

Not all sections are mandatory, but, as mentioned before, you cannot create new sections in most cases. In this section you need to evaluate previous attempts to resolve the issue. Explain what has been done so far, why some attempts worked and why others failed.

## Possible Solutions

Redesigning the International Monetary System will significant effects and will lead to significant changes to the global and national economies. The need for such a planning to be made has been acknowledged by many even though different approaches to this redesign are possible. Certain academics, although not a majority, also argue that since the chance is given efforts for the globalization of commercialism and the tendency to a global economy must be repelled.

Possible solutions include those of the Reform the International Monetary System group as a great percentage is currently not implemented.

Recently, the introduction of online currency has been introduced, such as the BitCoin. Reception by the national governments has been mixed or nonexistent, but according to economists virtual currencies do have a future as legal tenders even though if they are not supported by the legal framework as of yet.

The Group of Twenty is a very powerful tool and is basically the entity mostly capable of orchestrating an IMS convention. Also bear in mind that the G20 members have the ability to combine their economic potential in order to achieve their intended goals, whether that is through financing or through the implementation of various policies.

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## Appendices

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